

SENATE FINANCE COMMITTEE

March 24, 2009

9:10 a.m.

9:10:07 AM

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:10 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Charlie Huggins, Vice-Chair  
Senator Johnny Ellis  
Senator Donny Olson  
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Senator Gene Therriault; Tim Benintendi, Staff, Senator Olson; Denise Liccioli, Staff, Senator Olson; Tim Grussendorf, Staff, Co-Chair Hoffman; David Teal, Director, Legislative Finance Division; Jessie Kiehl, Staff, Senate District B.

SUMMARY

CSHB 81(FIN) am(brf sup maj fld)

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making supplemental appropriations; making reappropriations; and providing for an effective date."

CSHB 81 (FIN) was HEARD and HELD in Committee for further consideration.

CSHB 83(FIN)

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date.

CSHB 83 (FIN) was HEARD and HELD in Committee for further consideration.

#hb81

#hb83

CS FOR HOUSE BILL NO. 81(FIN) am(brf sup maj fld)

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making supplemental appropriations; making reappropriations; and providing for an effective date."

CS FOR HOUSE BILL NO. 83(FIN)

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

9:10:25 AM

Senator Olson presented the Senate Committee Recommendation for Department of Administration (DDOA).

TIM BENINTENDI, STAFF, SENATOR OLSON, reviewed the Subcommittee recommendations.

DEPARTMENT OF ADMINISTRATION

FUND SOURCE:

	FY09 Mgt	Gov Amd+	Sen Sub
Difference			
Plan Rev			SenSub to
GovAm+			

GENERAL FUNDS: 73,634.6 74,165.0 73,589.4  
(575.6)

FEDERAL FUNDS: 2,776.3 2,782.4 2,878.1  
95.7

OTHER FUNDS:	205,890.4	216,295.0	216,789.9
	494.9		

TOTAL FUNDS:	282,301.3	293,242.4
	293,257.4	15.0

PERSONNEL:

We reviewed the authorized position count. The Department has increased 22 PFT positions since FY09CC through position adjustments, reclassifications from PPT to PFT, and the addition of positions due to legislation. The Subcommittee recommends that the department search to eliminate five PFT positions to reduce the overall authorized position count.

	FY09	Gov Amd+	Sen Sub	CC
	PFT	1,046		1,068
1,063				
PPT	23	20		
20				
TEMP	32	33		
33				
TOTAL:	1,101	1,121		1,116

OTHER SUBCOMMITTEE ACTION:

The Subcommittee approves an increment of \$250.0 GF for the Alaska Public Broadcasting Commission / Radio, for station operating grants.

The Subcommittee approves a funding level of \$130.0 GF, which includes the addition of \$65.0 GF to replace expiring federal funds for Partners For Progress, a non-profit entity which supports Therapeutic Courts.

[9:13:06 AM](#)

The Subcommittee approves a fund switch in Centralized Administrative Services / Finance to replace \$220.0 GF with Capital Improvement Project receipts.

The Subcommittee approves a GF increment of \$140.0 in Centralized Administrative Services / Finance to support the Alaska Data Enterprise Reporting (ALDER)

data warehouse (\$100.0), and for vacancy factor reductions (\$40.0).

The Subcommittee denies a request for an increment of \$300.0 GF to pay operations and maintenance cost increases for the Alaska Telecommunications System (SATS).

9:13:58 AM

Regarding a request for salary and health benefit increases within Centralized Administrative Services / Subcommittee approved a request for two fund source changes to GF to avoid an increase in chargeback rates paid by agencies - for \$472.2 and \$415.9 respectively. Furthermore, in order to provide cost recovery of non-general funds, the Subcommittee agrees to authorize replacement of \$66.4 GF with a variety of non-general fund sources for Centralized Administrative Services / Personnel, and would replace another \$97.2 GF with a variety of non-general fund sources for Enterprise Technology Services. Wordage is also included to allow distribution of these funds to user agencies in order to pay increased service costs.

9:15:23 AM

The Subcommittee reviewed the status of the Alaska Land Mobile Radio system (ALMR), and recognized improved managerial control of the program since the issuance in 2006, of Legislative Audit #09-30021-06. Of significance is the completion of the report entitled, "Total Cost Of Ownership Study." The Subcommittee recommends that the Department take action to ensure that participating municipalities begin to pay their share of operations and maintenance costs.

The Subcommittee reviewed a request for a lapse date extension by the AOGCC for Reservoir Depletion Studies. The carry forward is estimated to be \$1,450.6. No action was taken by the Subcommittee in anticipation of a policy discussion by the full Senate Finance Committee when it considers supplemental spending legislation.

9:17:49 AM

Senator Olson

GOVERNOR'S AMENDMENTS:

The Subcommittee approves the governor-proposed decrement of -\$7.5 GF in Centralized Administrative Services / Personnel for the State officers' Compensation Commission.

The Subcommittee approves the governor-proposed increment of \$1,000.0 GF in the Legal and Advocacy Services / Public Defender Agency for projected caseload increases.

Co-Chair Stedman MOVED to ADOPT FY10 Senate Finance Committee Operating Subcommittee Report for the Department of Administration as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

9:18:04 AM

DENISE LICCIOLI, STAFF, SENATOR DONALD OLSON, presented the Senate Subcommittee Committee Recommendation for the Department of Health and Social Services (DHSS).

HEALTH & SOCIAL SERVICES SUB-COMMITTEE

Fund Source

	09 Mgt Plan	Gov Amd	Sen	Sub
Difference				
GF	\$ 903,587.9	\$ 866,345.5	\$	848,593.5
	\$(17,752.0)	(2.0) %		
Federal	1,008,215.0	1,057,652.1		
1,057,081.1	( 571.0)	(0.1) %		
Other	171,864.8	159,584.6		
160,784.6	1,200.0	0.8 %		
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	-----			
Total	\$2,083,667.7	\$2,083,582.2		
	\$2,066,459.2			

Position Summary

	09 CC	Gov Amd	Sen Sub
PFT	3,436	3,465	3,455

PPT	98	95	95
Temp	136	111	111
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Total	3,670	3,671	3,661

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Recommendations for H&SS /March 19, 2009

#### Personnel

The authorized position count for the department was reviewed; the overall number of positions stayed about the same, although we did not approve all of the new PFT positions.

[9:19:27 AM](#)

#### BUDGET ACTION:

The GF in this budget was reduced from the previous year by \$54.8 million, largely due to Federal Medical Assistance Percentage (FMAP) changes which result in the federal share of expenditures increasing, and the State's share decreasing. Although funding increased \$13.7 million in total, including the FMAP changes and other adjustments to Medicaid in this budget request, the GF portion went down \$82.6 million. In addition to a reduction of GF for Medicaid, the Adult Public Assistance Program and the Senior Benefits Payment Program were each reduced \$500 thousand due to a decline in the number of people receiving these services compared to what was previously projected.

[9:20:34 AM](#)

This is fortunate since it did allow for some necessary increases in other areas, which we believe to be basic and integral to the services provided by this budget, and consider them to be essential to what government does for its citizens. And so this budget proposal funds basic support needed for children, the frail and other Alaskans who cannot provide for themselves. Notable increases that are approved include:

Approximately \$6.2 million of GF, and nearly \$2 million in Mental Health Trust Funds, was added for

various services provided to our children, including front line Social Workers, Child Advocacy Centers, autism, early intervention and infant learning, and other services that are part of the Bring the Kids Home efforts.

[9:21:24 AM](#)

\$500 million for the Juvenile Justice Facilities, mostly to increase front line staffing but also to add a nurse and maintenance position, and funds for additional operating costs.

[9:23:16 AM](#)

Ms. Liccioli informed that the proposed budget funds essential services as program costs escalate and population groups increase. She stressed concern about continuing changes to the FMAP rate that affect Medicaid and other programs within the department. This year, Alaska will spend less state and more federal money, but the opposite is often true. A small change in the budget can result in additional state expense.

Senator Ellis expressed appreciation for the Subcommittee chair and staff for their willingness to work with all legislative members. He reminded the committee of the incredible stress placed on non-profit organizations due to the downturn in the economy.

Co-Chair Stedman MOVED to ADOPT FY10 Senate Finance Operating Subcommittee Report for the Department of Health and Social Services (DHSS) as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

[9:25:34 AM](#)

Ms. Liccioli presented the Senate Subcommittee Recommendation for the Department of Public Safety.

[9:26:56 AM](#)

DEPARTMENT OF PUBLIC SAFETY

Fund Source

	09 Mgt Plan Difference	Gov Amd	Sen	Sub
GF	\$116,401.8	\$128,945.0		
	\$125,095.1	\$(3,849.9)	( 3.0)%	
Federal		15,257.6		15,191.2
11,540.0	(3,651.2)	(24.0)%		
Other		23,135.9		29,777.2
30,542.9	765.7	2.6 %		
-----				
Total	\$154,795.3	\$173,913.4		
	\$167,178.0			

#### Position Summary

	09 CC	Gov Amd	Sen	Sub
PFT	836	857		844
PPT	17	16		16
Temp	12	14		14
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Total	865		887	874

#### Personnel

Reviewed the authorized position count for the department. The Governor requested 20 new positions. The sub-committee authorizes 7 of those.

#### Budget Action

The sub-committee was reopened to allow for one additional transaction to occur. After the initial close-out, we discovered that additional PFD Criminal Receipts would be available. Thus the sub-committee was reopened and all of the sub-committee members were polled in addition to the department to determine if the budget should be changed; no one objected to taking this action. Thus, there was a fund source adjustment done to remove \$881.9 of GF from the Council on Domestic Violence and Sexual Assault (CDVSA) and to replace it with a like amount of PFD Criminal Receipts. Legislative Finance has updated all the reports and, with the exception of this paragraph and the one describing changes to the CDVSA,



the remainder of this memo is identical to the one used at close-out.

- Held 4 public meetings with the department to discuss and explain the budget;
- Adopted the FY10 Adjusted Base; and
- Reviewed each of the increments and decrements submitted by the Governor, including amendments.

9:28:09 AM

The Governor made public safety a priority and this budget is one of the few with some significant increases. The Senate Finance Sub-Committee approved most of those increases. Notable increases to GF that are approved:

- \$3,343.9 of the Governor's request for \$4,165.1 to fully fund commissioned officers is approved. These increases are in multiple components of the department. They are needed due to the success with recruitment and the resulting low vacancy rate that the department has experienced, causing them to be short of personal services.
- \$2,470.3 is approved for the VPSO program to annualize the funding for positions authorized last year, to add 15 additional positions this year, and for COLA and merit increases. This follows the recommendations of the Senate VPSO Task Force from 2008. The department is already seeing success with the implementation of the first of those recommendations, in a similar way as with the Troopers, with more applicants for VPSO positions, and less turnover. These increases are necessary if they are to continue and build on this success and ensure public safety for rural Alaskans as well.
- \$1,439.5 is approved of the total \$1,963.6 requested by the Governor for cost increases in various existing programs of the department. This includes leases, utilities, insurance, medical exams, vehicles, fuel and airline costs, and supplies. Most if not all of these increases are beyond the control of the department and must be funded if services are to continue.

9:28:15 AM

- o \$287.0 is approved for other items, including Anchorage prisoner transportation, Central Region facilities maintenance, and DNA collection kits. \$28.0 is not funded of the total requested for Central Region facilities maintenance.

9:28:41 AM

Non-GF increases were requested and with one exception, all are approved. Included in this group is:

- An increase to the Council on Domestic Violence and Sexual Assault (CDVSA) out of PFD Criminal Receipts for \$1,677.9. The Sub-Committee also adds an additional \$1,381.9 of PFD Criminal Receipts since additional funds are expected to be available, and offsets that increase with a corresponding decrease to GF.
- Another significant requested increase in non-GF is for 13 positions and \$4,800.0 of CIP receipts for the Bureau Highway Patrol. The Sub-Committee approves \$4,102.9 for that request, but does not approve an increase to positions; the department should use existing positions.

9:29:45 AM

Items which were requested but which are not funded include:

- Essentially all of the fund source switches requested to replace non-GF with GF due to salary adjustments for Bargaining Unit agreements is denied. These are each relatively small amounts that should be absorbed by the department.
- No funds for additional moves by trooper positions are approved; \$800.0 was requested.
- The request for \$3,660.2 of federal funds for CDVSA is not approved since those are continuing funds which will not lapse until June 30, 2010.

9:30:48 AM

The Sub-Committee also recommends language and conditional funding to be included in the "language

section" of the CS for the Rural Alcohol Interdiction Team for \$1,270.0; and for Drug and Alcohol Enforcement for \$1,393.2.

Other changes are shown in the reports included with this. It is also our intention to allow Legislative Finance to do technical adjustments if any are needed.

#### Items of Concern

The Department is to be commended for its efforts in recruiting and retaining trooper positions and bringing the vacancy rate down. Should those efforts continue and result in all positions being filled for the full twelve months, a supplemental request may be needed next year for both Troopers and VPSOs. However, even though the results so far have been remarkable, history tells us that it is highly unlikely that 0% vacancy will ever be achieved. That said, this budget recommendation funds most of the department requests and clearly the majority of those increases relate to that improvement in recruiting and retention, which we wholeheartedly support.

9:32:03 AM

Another concern is that by replacing so much of the GF funding for the CDVSA with PFD Criminal Receipts, it is expected that a large GF increment will be needed in the future to sustain the shelters funded by this budget component. For now, while the receipts are available, it makes good sense to use those receipts in lieu of GF; but as the PFD amounts decrease, so will the available PFD Criminal Receipts and they must inevitably be replaced with GF. The only other alternative is to drastically reduce the services offered throughout the State by the funding in this component, and that is unacceptable.

9:32:59 AM

Approximately \$5 million in GF, in addition to another \$5 million in Mental Health Trust Funds, was added for substance abuse and mental health programs and services.

\$5 million of GF was added to maintain the Alaska Heating Assistance Program, which is important to many Alaskans who need help with their fuel bills.

Finally, \$10.1 million was added for cost increases. \$1.3 million is for rate increases for Subsidized Adoptions and for Dental Rates for non-Tribal providers. \$4.3 million is for grantee cost increases for many of the department's programs. \$1.7 million is for cost increases to various programs in the department such as the Birth Defects registry, the Cancer registry, and Therapeutic Courts. Finally, \$2.8 million of this amount is due to correcting a previous error in how the Public Health Nurses were charging to the Medicaid program.

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Significant items which were requested, but which are not funded, include:

The Governor requested \$500 thousand and 1 position for the Health Care Commission she created by Administrative Order.

The Governor requested \$498.4 thousand and 2 positions for her health initiative, "Live Well Alaska".

The Governor requested \$3 million in GF to increase the child care rate for working families. However, since the Governor's budget was submitted, funds for Child Care Assistance have been included in the federal economic stimulus budget. The department may request an increase next year if those funds are not sufficient or at such time as the funds are no longer available to them.

Detail on these and other changes are shown in the reports included with this.

It is also our intention to allow Legislative Finance to do technical adjustments if any are needed.

#### Items of Concern

Clearly, the biggest concern for this budget is the size of the budget itself, and whether it can be

sustained. This budget funds some of the most essential services of state government and not only are the costs of all the programs escalating, but in addition, there continues to be growth in the programs as the elderly population increases, poverty levels increase, and substance abuse and other behavioral health problems abound.

Another concern for this budget is the continuing change to the FMAP rate and other federal programs. This year we were fortunate because the FMAP rate increased, but it can just as easily go the other way, especially when the economic stimulus funds are no longer available. Even a small increase in the State's share will cost tens of millions.

Co-Chair Stedman MOVED to ADOPT FY10 Senate Finance Operating Subcommittee Report for the Department of Public Safety as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

[9:33:58 AM](#)

Senator Ellis presented the Senate Committee Recommendation for the Department of Corrections (DOC).

#### DEPARTMENT OF CORRECTIONS

Fund Source:

	FY09 Management Plan	FY10 Governor's Amended Adjusted Base	FY 10 Senate Subcommittee	Difference (Governor to Senate Sub)
General Funds	210,982.0	214,041.4	213,819.2	-222.2 (- 0.1%)
Federal Funds	2,990.5	3,174.4	3,187.3	12.9 (0.4%)
Other Funds	30,560.0	31,985.1	31,977.0	-8.1 (- 0.0%)
Total	244,532.5	249,200.9	248,983.5	-217.4 (- 0.1%)

Personnel:

The Subcommittee reviewed the authorized position count for the Department. The Governor's amended budget proposal requested three new positions. The Subcommittee is recommending three new positions.

Position Summary	FY09 Authorized	FY10 Governor's Amended Adjusted Base	FY 10 Senate Subcommittee
Permanent Full Time	1512	1513	1513
Permanent Part Time	4	3	3
Temporary	0	0	0
Total	1516	1516	1516

[9:35:31 AM](#)

#### BUDGET ACTION:

Adopted the Fiscal Year 2009 Adjusted Base.

Reviewed each of the increments (9) and decrements (0) submitted by the Governor. Recommends the adoption of the Governor's proposal with the following exceptions:

Deny Inc 302.2 GF "1/4 Year Operating Costs for 80-bed conversion in FY09" to the Wildwood Correctional Center allocation of the Population Management appropriation.

Remove 897.7 GF "Incomplete Wildwood Building Conversion" from base of Wildwood Correctional Center allocation of the Population Management appropriation.

Deny Inc 485.3 PFD Crim "Costs Associated with Sex Offender Treatment and Polygraph Examinations" in the Inmate Health Care allocation of the Inmate Health Care appropriation. The Subcommittee recommends approval of Inc 242.6 PFD Crim for the same purpose.

Deny Inc 500 GF "Expand Institutional Out-Patient Substance Abuse Program" in the Inmate Health Care allocation of the Inmate Health Care appropriation. The Subcommittee recommends approval of Inc 257.3 GF and Inc 242.7 PFD Crim for the same purpose.

Adopt IncOTI 1,225.0 GF "Secured Detoxification and Treatment for Involuntary Substance Abuse Commitment" in the Inmate Health Care allocation of the Inmate Health Care appropriation.

Adopt TrOut -13,608.4 from the Inmate Health Care allocation of the Inmate Health Care appropriation and TrIn 13,608.4 to a new Behavioral Health Care allocation in the Inmate Health Care appropriation.

Adopt TrOut -24,528.9 from the Inmate Health Care allocation of the Inmate Health Care appropriation and TrIn 24,528.9 to a new Physical Health Care allocation in the Inmate Health Care appropriation.

Amendment Action:

Reviewed and recommends the adoption of the two operating budget amendments (one increment and one decrement) submitted by the Governor through February 29th, 2009.

9:36:20 AM

Items of Concern:

For many years the expansion of the Yukon-Kuskokwim Correctional Center in Bethel has been a high-priority project for the Legislature, leading to its inclusion in 2004's Senate Bill 65, which authorized the state to assist communities in building or expanding correctional facilities. While the construction of the Goose Creek Correctional Center in the Mat-Su Valley is underway, and a number of smaller expansion projects in facilities like Wildwood Correctional Center in Kenai have taken place, YKCC remains incomplete. The Subcommittee discussed this issue and the lack of progress over the years with the Department, and is committed to continuing this discussion until the community and legislators are satisfied with the Department's progress in Bethel.

9:37:09 AM

The Governor's amended budget proposal combines all behavioral health treatment programs under a single heading in the Inmate Health Care appropriation. While the Subcommittee understands and appreciates the need for organizational coherence and efficiency, the lack of clarity on how dollars are spent within this appropriation raises questions. The Inmate Health Care appropriation currently consists of just one allocation with a budget of over \$37 million. The Subcommittee is concerned that unexpected major medical events and the increasing cost of providing basic physical health care could be threats to the maintenance of these priority programs without some measure of Legislative control over the movement of funds within the appropriation. The Commissioner and his staff assured the Subcommittee of the Department's commitment to maintaining and expanding substance abuse and sex offender treatment programs, along with their other behavioral health initiatives. By recommending the Inmate Health Care appropriation be split into two separate allocations, the Subcommittee intends to reinforce the importance of these programs to the long-term goals of reducing recidivism and inmate population.

9:38:12 AM

The increment for Secure Detoxification and Involuntary Substance Abuse Treatment funds the second year of a three-year pilot program based out of the Salvation Army's Clitheroe Center in Anchorage. Under existing statute, judges have the ability to order public inebriates who are a danger to themselves or their community to take part in secured substance abuse treatment programs. Between state and local police, local sleep-off centers, state and local Health and Social Services programs, and the Department of Corrections, these individuals are responsible for an inordinate proportion of public spending. This pilot program is a coordinated and proactive response to a continuing problem, and could provide a breakthrough in combating the public health and safety risks posed by this population. Alaska's program is based on the successful result of similar programs on the county level in the state of Washington.



9:38:51 AM

In the last few years, there have been significant advances in the development of results-based programs that can reduce recidivism and cut costs by diminishing the inmate population. The Institute for Social and Economic Research at UAA and the Pew Foundation for the States have released reports in recent months detailing Alaska's need for increased education, job training, and substance abuse treatment programs, and the potential for significant long-term cost savings as a result. The Subcommittee is committed to working with the Commissioner and the Department to both monitor the success of current programs to ensure that they are providing the necessary results, and investing in additional programs with results supported by statistical evidence.

Co-Chair Stedman MOVED to ADOPT FY10 Senate Finance Operating Subcommittee Report for the Department of Corrections as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

9:40:02 AM

Senator Ellis presented the Senate Committee Recommendation for the Department of Environmental Conservation (DEC).

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Fund Source:

	FY09 Management Plan	FY10 Governor's Amended Adjusted Base	FY 10 Senate Subcommittee	Difference (Governor to Senate Sub)
General Funds	18,891.4	19,140.5	19,144.2	3.7 (0.0%)
Federal Funds	21,396.8	21,497.6	21,497.6	0 (0%)
Other Funds	33,086.8	33,496.9	33,516.9	20.0 (0.0%)
Total	73,375.0	74,135.0	74,158.7	23.7

				(0.0%)
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Personnel:

The Subcommittee reviewed the authorized position count for the Department. The Governor's amended budget proposal requested one new position. The Subcommittee is recommending three new positions.

Position Summary	FY09 Authorized	FY10 Governor's Amended Adjusted Base	FY 10 Senate Subcommittee
Permanent Full Time	529	532	534
Permanent Part Time	1	1	1
Temporary	4	5	5
Total	534	538	540

Budget Action:

The Subcommittee held three meetings with the Department and took the following actions:

Adopted the Fiscal Year 2009 Adjusted Base.

Reviewed each of the increments (2) and decrements (2) submitted by the Governor. Recommends the adoption of the Governor's proposal with the following exceptions:

Deny Inc 184.0 GF "Climate Change Sub-Cabinet Activity" to the Air Quality allocation of the Environmental Health Appropriation.

Adopt Inc 187.7 GF "Add Two New Environmental Health Officer Positions and Related Costs for Food Safety Inspections" to the Food Safety and Sanitation allocation of the Environmental Health appropriation.

[9:41:19 AM](#)

Adopt Inc 20.0 Cruise Ship "Paralytic Shellfish Poisoning Testing" to the Laboratory Services allocation of the Environmental Health appropriation.

Amendment Action:

The Governor did not submit operating budget amendments for DEC.

Items of Concern:

The Subcommittee had considerable discussion regarding the deficiency of the food safety inspection program and the disparity between the Department's funding level and the expectations of the public at large. Even with the addition of two food safety inspectors and related costs included in the Subcommittee's recommendation, the Department expects it will be able to inspect just under 40% of permitted food service establishments and processors in FY10, up from 35% in FY09. The federal Food and Drug Administrations Model Food Code recommends a minimum of one to three inspections each year. This serious shortfall threatens the health and safety of people across the state, but is felt strongest in rural areas, where costs drive inspection rates even lower than the statewide average.

[9:42:34 AM](#)

The growth of the wild and farmed shellfish industry in Southeast and Southcentral Alaska threatens to outstrip the ability of the Department to provide testing, which is necessary to advance the permitting process that is vital to the continued health of this profitable and sustainable fishery. With the recommended increment, the Department will be able to expand testing to support new and expanded harvests.

[9:43:02 AM](#)

Co-Chair Stedman MOVED to ADOPT FY10 Senate Finance Operating Subcommittee Report for the Department of Environmental Conservation as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

[9:43:50 AM](#)

Co-Chair Stedman presented the Senate Committee Recommendation for the Department of Law.

DEPARTMENT OF LAW

Fund Source	09 Adj Base	Gov Amd	Sen Sub	Difference
General Funds	\$45,021.1	\$56,825.4	\$54,309.1	\$(2,516.3)
Federal Funds	\$ 3,233.7	\$ 3,880.3	\$ 3,880.3	0
Other Funds	\$24,715.0	\$25,176.8	\$25,193.1	\$ 16.3
Total	\$72,969.8	\$85,235.9	\$83,382.5	

Positions	09 Adj Base	Gov Amd	Sen Sub	Difference
PFT	549	549	549	0
PPT	7	7	7	0
Temp	0	0	0	0

BUDGET ACTION:

CRIMINAL DIVISION

Approved a one-time increment of \$646,000 for U.S. Department of Justice federal grants to continue funding attorneys and paralegals to aid in the prosecution of domestic violence as well as adult and child sexual assault cases. Funding is split as indicated below:

Second Judicial District - \$90,000

Fourth Judicial District - \$285,000

Criminal Appeals & Special Litigation Section - \$271,600

Approved an increment of \$292,400 GF for anticipated lease cost increases for the Third Judicial District office space in the Whale and Brady Buildings in Anchorage.

Within Criminal Justice Litigation, approved a one-time increment of \$12,500 in Mental Health Trust Receipts to provide Disability Justice training for prosecutors to allow them to better understand and more efficiently handle cases involving persons with mental health disorders or cognitive impairments.

CIVIL DIVISION

Approved an increment of \$398,800 (50% GF & 50% Inter-agency Receipts) for anticipated lease cost increases for the Deputy Attorney General's office space in the Whale and Brady Buildings in Anchorage.

Approved a one-time increment of \$165,000 in Tobacco Education & Cessation Funds for the Commercial & Fair Business group to continue work on resolving a Master Settlement dispute between the State of Alaska and the tobacco companies.

Denied a fund source change from Oil & Hazardous Response Funds to General Funds related to unrealizable salary adjustments in the Environmental Law group.

9:45:15 AM

Approved a one-time increment of \$5.109 million GF within the Oil, Gas & Mining section for legal services related to ongoing Pt. Thomson litigation, FERC proceedings relating to Trans-Alaska Pipeline tariffs and corporate income tax matters.

Denied a one-time increment of \$1.9 million GF within the Oil, Gas & Mining section for legal work related to Trans-Alaska Pipeline strategic reconfiguration

Approved an \$187,000 GF increment within Statehood Defense for legal counsel related to continuing statehood entitlement work.

Denied a \$600,000 one-time GF increment within the Statehood Defense section for work related to federal Endangered Species Act action regarding Polar Bears and Beluga Whales.

9:45:28 AM

Recommended that the Department's \$150,000 FY09 Supplemental request for Endangered Species Act work within the Statehood Defense section be increased to \$750,000 and given a FY2010 lapse date. This should provide the section with operating funds through the end of FY2010.

ADMINISTRATION & SUPPORT

Approved an increment of \$101,200 in Capital Improvement Project Receipts for the Administrative Services section to continue funding a network specialist to operate and maintain the Case Management System.

[9:45:51 AM](#)

#### BP CORROSION

Approved a one-time increment of \$3.5 million GF to continue the pursuit of claims against BP for penalties and lost revenues related to the 2006 Prudhoe Bay pipeline corrosion and maintenance problems which resulted in spills and lost oil production.

Co-Chair Stedman noted a lack of change within the position count.

Co-Chair Stedman MOVED to ADOPT the FY10 Senate Finance Committee Operating Subcommittee Report for the Department of Law as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

[9:46:59 AM](#)

Co-Chair Stedman presented the Senate Committee Recommendation for the Department of Revenue (DOR).

#### DEPARTMENT OF REVENUE

Fund Source	09 Adj Base	Gov Amd	Sen Sub	Difference
General Funds	\$ 17,118.5	\$ 20,414.8	\$ 18,164.1	\$(2,250.7)
Federal Funds	\$ 37,926.1	\$ 39,588.3	\$ 39,611.0	\$ 22.7
Other Funds	\$207,072.3	\$189,797.8	\$191,562.7	\$ 1,764.9
Total	\$262,116.9	\$249,800.9	\$249,337.8	\$(463.1)

Positions	09 Adj Base	Gov Amd	Sen Sub	Difference
PFT	867	867	866	-1
PPT	41	41	41	0
Temp	17	17	17	0

Total	925	925	924	-1
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BUDGET ACTION:

TAX DIVISION

Approved a \$50k fund source change from Capital Improvement Project Receipts to GF to prepare the statutorily required annual Alaska Salmon Price Report.

Approved a one-time increment of \$270,000 GF for contract audit assistance. The Governor's request was for \$540,000.

Approved a \$200,000 GF increment to fund the fourth master auditor position that was authorized during the 2007 ACES legislation.

TREASURY DIVISION

Approved \$81,700 in fund source changes necessary to comply with changes made by the Alaska Retirement Management Board to the structure of the Retiree Health Care Trust Fund. The old "Retiree Health Care" designation is being replaced with the broader designation of "Benefit System Receipts".

Approved \$420,000 in fund source changes necessary to bring the Treasury Division's cost allocation plan into compliance.

Approved a \$152,000 GF increment to recover Treasury management costs that under the new cost allocation plan, can't be allocated to unbudgeted RSAs in FY2010.

[9:47:30 AM](#)

ALASKA RETIREMENT MANAGEMENT BOARD (ARMB)

Approved \$113,000 in fund source changes necessary to comply with changes made by the Alaska Retirement Management Board to the structure of the Retiree Health Care Trust Fund. The old "Retiree Health Care" designation is being replaced with the broader designation of Benefit System Receipts.

Approved \$74,600 in fund source changes necessary to bring the Treasury Division's cost allocation plan into compliance.

Approved a \$249,500 increment of Group Health Life & Benefit Receipts to fund increased measurement and consulting costs associated with the addition of 15 new investment options within the Supplemental Annuity, Deferred Compensation and Defined Contribution plans.

Approved a \$900,000 increment of Group Health Life & Benefit Receipts to cover increased Treasury management costs associated with the Supplemental Annuity and the Deferred Compensation Plan.

Approved a \$150,000 one-time increment of retirement trust funds to engage a contractor to audit the Board's performance consultant, Callan Associates.

9:47:48 AM

#### ARMB CUSTODY AND MANAGEMENT FEES

Approved an \$8.547 mill decrement of retirement trust funds to reflect lower investment manager fees due to the decline in the retirement portfolio's market value.

9:48:26 AM

#### PERMANENT FUND DIVIDEND DIVISION

Approved a \$101,000 increment of Permanent Fund Dividend funds to cover cost increases associated with an increased number of applicants and public inquires.

#### CHILD SUPPORT SERVICES DIVISION

Denied a \$1.9 million fund source change from Receipt Supported Services to GF to increase state matching funds. The Department testified that they wouldn't need this change after all due to relief that was anticipated in the federal stimulus bill - the American Recovery and Reinvestment Act (ARRA).

Co-Chair Stedman commented that the portion of the report concerning child support was not in the bill as it was presented to the finance committee, meaning that the state requires an additional \$400 thousand in general funds if the \$612 thousand of federal stimulus money is accepted. He encouraged committee members to realize the issue requires a solution.



9:49:23 AM

ADMINISTRATIVE & SUPPORT

Denied \$22,700 in fund source changes from CSSD receipts to General Funds related to unrealizable salary adjustments in the Commissioner's Office and the Administrative Services group.

Accepted the House recommendation to delete the special assistant to the commissioner position. (\$46.4 GF/\$72.6 Inter Agency Receipts)

MENTAL HEALTH TRUST OPERATIONS

Approved \$2.65 mill in Mental Health Trust Receipts to fund the Board of Trustees approved FY2010 operating plan. This is a \$150,400 increase over the FY09 management plan.

LONG TERM CARE OMBUDSMAN'S OFFICE

Denied an \$11,600 fund source change from Inter-Agency Receipts to GF related to unrealizable salary adjustments.

ALASKA HOUSING FINANCE OPERATIONS

Approved a \$674,300 fund source change from Corporation Receipts to Federal Receipts in order to maximize available federal Dept of Housing & Urban Development funding.

Approved a \$959,700 increment in Fed Receipts to cover increased utility costs from rate increases.

Approved a \$254,400 increment (\$50.9 Fed/\$80.5 CIP/\$123.0 AHFC Receipts) for costs associated with increased business activity.

9:49:59 AM

ALASKA PERMANENT FUND CORP OPERATIONS

Denied a \$74,100 increment in Perm Fund Corp Receipts for increased travel.

APFC CUSTODY AND MANGEMENT FEES

Approved a \$10.0 mill decrement in Perm Fund Corp Receipts to reflect lower investment manager fees due to the decline in the retirement portfolio's market value.

Co-Chair Stedman stated that next year's report will include increments on management fees.

Co-Chair Stedman MOVED to ADOPT the FY 10 Senate Finance Committee Operating Subcommittee Report for the Department of Revenue with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

[9:51:07 AM](#)

Co-Chair Stedman presented the Senate Committee Recommendation for Department of Transportation and Public Facilities (DOT/PF).

#### DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

Fund Source	09 Adj Base	Gov Amd	Sen Sub	Difference
General Funds	\$205,345.1	\$ 221,616.8	\$230,238.5	\$ 8,621.7
Federal Funds	\$ 3,996.1	\$ 3,987.0	\$ 3,988.2	\$ 1.2
Other Funds	\$295,741.6	\$ 293,057.2	\$296,571.2	\$ 3,514.0
Total	\$505,083.0	\$ 518,661.0	\$530,797.9	\$ 12,136.9

Positions	09 Adj Base	Gov Amd	Sen Sub	Difference
PFT	3,200	3,202	3,202	0
PPT	438	444	436	-8
Temp	199	199	199	0
Total	3,837	3,845	3,837	-8

#### BUDGET HIGHLIGHTS:

The subcommittee approved \$4.033 million GF for salary and benefit adjustments for the recently concluded Alaska Marine Highway System bargaining agreements:

- \$2.320 mill - Inlandboatman's Union of the Pacific (IBU)
- \$0.924 mill - Master, Mates & Pilots (MMP)
- \$0.789 mill - Marine Engineers Beneficial Association (MEBA)

The subcommittee approved \$12.7 mill in additional funding for facilities, highway and aviation maintenance statewide. This will allow the regions to provide a higher level of service in recognition of lost purchasing power over the past several years.

- \$6.239 mill - Northern Region
- \$4.816 mill - Central Region
- \$1.667 mill - Southeast Region

[9:52:21 AM](#)

#### Specific Budget Action

The Subcommittee held four meetings with the Department and accepted the Governor's appended budget transactions with the following exceptions:

#### AGENCY WIDE

- Denied 29 separate transactions requested agency-wide to charge \$1.015 million in unrealizable salary adjustments to the General Fund from other funding sources.

#### CENTRAL REGION FACILITIES

- Added a \$54,800 GF increment to bring equipment, utilities, facilities maintenance and repair funding authority up to FY09 spending levels.
- Added a \$496,400 GF operational increment to allow the region to provide a higher level of service in recognition of lost purchasing power over the past several years.

#### NORTHERN REGION FACILITIES

- Denied a \$141,200 GF increment for janitorial contract cost increases at various facilities in

the Northern Region to include Tok, Delta Junction and Fairbanks.

- Added an \$116,700 GF increment to bring equipment, utilities, facilities maintenance and repair funding authority up to FY09 spending levels.
- Added a \$709,900 GF operational increment to allow the region to provide a higher level of service in recognition of lost purchasing power over the past several years.

#### SOUTHEAST REGION FACILITIES

- Added a \$104,500 GF operational increment to allow the region to provide a higher level of service in recognition of lost purchasing power over the past several years.

[9:53:02 AM](#)

#### CENTRAL REGION HIGHWAYS AND AVIATION

- Approved a \$200,000 GF increment for fuel and equipment operational costs related to sidewalk snow removal in Anchorage. The Governor's original request included an additional \$300,000 in associated personal services that was denied.
- Denied an \$116,300 GF increment for anticipated street sweeping contract cost increases in the region.
- Added a \$1.618 mill GF increment to bring equipment, utilities, facilities maintenance and repair funding authority up to FY09 spending levels.
- Added a \$2.647 mill GF operational increment to allow the region to provide a higher level of service in recognition of lost purchasing power over the past several years.

#### NORTHERN REGION HIGHWAYS AND AVIATION

- Added a \$554,000 GF increment to bring equipment, utilities, facilities maintenance and repair funding authority up to FY09 spending levels.

- Added a \$4.858 mill GF operational increment to allow the region to provide a higher level of service in recognition of lost purchasing power over the past several years.

#### SOUTHEAST REGION HIGHWAYS AND AVIATION

- Approved a \$20,000 GF increment for fuel and equipment operational costs related to sidewalk snow removal in Juneau. The Governor's original request included an additional \$27,100 in associated personal services that was denied.
- Added a \$378,500 GF increment to bring equipment, utilities, facilities maintenance and repair funding authority up to FY09 spending levels.
- Added a \$1.184 mill GF operational increment to allow the region to provide a higher level of service in recognition of lost purchasing power over the past several years.

#### WHITTIER ACCESS & TUNNEL

- Denied a \$2.0 mill fund source change from Capital Improvement Project Receipts to Cruiseship Gambling Tax Receipts (GF) for the maintenance and operations of the Whittier Tunnel. CIP Receipts are still an appropriate fund source for this item
- Approved a \$500,000 increment of Regional Cruise ship Impact Fund Receipts to extend the operating hours of the Whittier Tunnel during the summer tourism season. The Governor's original request proposed using Cruise ship Gambling Tax Receipts (GF) instead.

[9:53:49 AM](#)

Co-Chair Hoffman stated that DOT has come in higher (approximately \$10 million) than requested by the governor. The increases are in the area of maintenance and the chairman felt that there is a need to increase DOT's presence in all regions of the state to address maintenance of streets and roads.

Co-Chair Stedman MOVED to ADOPT the FY10 Senate Finance Committee Operating Subcommittee Report for the Department of Transportation and Public Facilities with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

[9:55:14 AM](#)

TIM GRUSSENDORF, STAFF, CO-CHAIR HOFFMAN, presented the Senate Committee Recommendation for the Department of Fish and Game.

DEPARTMENT OF FISH & GAME

Fund Source	09 mgt. plan	Adj Gov Amd	Sen Sub	Difference (G-S)
General Funds	57,878.0	58,357.7	57,237.7	(1,120.0)
Federal Funds	54,950.3	55,112.5	55,112.5	0
Other Funds	66,988.4	66,860.1	66,649.7	(210.4)

Positions	09 CC	Adj Gov Amd.	Sen. Sub	Diff erence
PFT	915	910	910	
PPT	767	767	767	0
Temp	58	62	62	0

0

The Subcommittee held one meeting with the Department and took the following actions:

[9:55:52 AM](#)

BUDGET ACTION:

Accepted the Governor's amended proposal with the following adjustments and comments:

Restored research for Bering Sea crab in Commercial Fisheries Westward Region. \$793.7 CIP Receipts

Removed the Wildlife Pilot Program Urban Response Teams from Wildlife Conservation.  
-\$190.0 GF

Restored a portion of one-time funding for pinniped research related to the E.S.A. \$930.0 CIP Receipts

Reduced funding to Public Shooting Ranges in the Hunter Education Division. -\$114.1 GF (F/G)

Funded two existing Habitat Biologist positions via RSAs with DNR for Oil & Gas pre-application work. \$180.0 I/A Receipts

9:56:50 AM

Mr. Grussendorf read the intent language relating to the fish and game board advisory committees. The language informed that meetings held by the board of fisheries with a primary topic or proposal concerning a regional area are held in that regional area.

Co-Chair Hoffman added that discussion on the Bering Sea crab resumed, although he alleged that the item is a federal responsibility requiring further discussion.

Co-Chair Stedman MOVED to ADOPT the FY10 Senate Finance Operating Subcommittee Report for the Department of Fish and Game as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

9:58:20 AM

Co-Chair Hoffman informed that the members of the Office of the Governor subcommittee included himself, Senator Gary Stevens, and Senator Albert Kookesh.

Mr. Grussendorf discussed the Subcommittee recommendations.

OFFICE OF THE GOVERNOR

	09	mgt.		
Fund Source	plan	FY10 Gov Amd	Sen Sub	Gov to Sen
General	\$	\$	\$	\$
Funds	25,381.4	22,886.5	22,485.0	-(401.5)
Federal	\$	\$	\$	
Funds	184.9	187.6	187.6	
	\$	\$	\$	
Other Funds	1,979.7	834.5	834.5	

Positions	09 CC	10 Gov Amd.	Sen. Sub	Gov to Sen
PFT	156	156	155	-1
PPT	0	0	0	0
Temp	46	23	23	0

Budget Action:

Accepted the Governors amended proposal with the following adjustments.

Reduction of FY 09 carry forward of \$350.0 in the Executive Office and \$50.0 in the Lt. Gov's Office.

Language:

Fund FY 2010 Branch wide fuel increase of \$24,000.0

Branch wide fuel/utility cost reduction of (\$1,000.0)

[9:59:07 AM](#)

Co-Chair Stedman MOVED to ADOPT the FY10 Senate Finance Committee Operating Subcommittee Report for the Office of the Governor as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

[9:59:46 AM](#)

Mr. Grussendorf presented the Senate Committee Recommendation for the Legislature.

LEGISLATURE

	09	mgt.	10	Gov		
Fund Source	plan		Amd		Sen Sub	Difference
General	\$		\$		\$	
Funds	64,248.5		65,943.2		64,962.7	\$(980.5)
Federal						
Funds		0		0	0	0
		\$				
Other Funds	963.6		\$1,142.3		\$1,107.3	\$(35.0)

  

		10	Gov		Sen	to
Positions	09 CC	Amd.		Sen. Sub	Gov	
PFT	246	246		246	0	
PPT	278	280		280	0	
Temp	0	0		0	0	



10:00:12 AM

BUDGET ACTION:

Accepted the Governors amended proposal with the following adjustments.

The final budget request for the Legislative Budget and Audit Committee, Legislative Affairs for the Legislative Council were approved as submitted which included non discretionary adjustments for wages and other contractual obligations.

Approximately \$2.3 million in one-time project appropriations that were included in the FY09 budget were removed from the FY10 request.

The FY10 request was increased by the amount estimated to implement the legislative pay adjustment in January 2010

Allows a one time only increment to Legislative Council account for casual labor costs.

10:00:52 AM

Co-Chair Stedman MOVED to ADOPT the FY10 Senate Finance Operating Subcommittee Reports for the Legislature as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

10:01:22 AM

Co-Chair Hoffman presented the Senate Committee Recommendation for the University.

UNIVERSITY

	09	mgt.			
Fund Source	plan		Fy10 Gov Amd	Sen Sub	Sen to Gov
General	\$		\$	\$	\$
Funds	31,516.6		52,860.6	55,637.8	2,777.2
Federal	\$		\$	\$	
Funds	178.8		179.0	179.0	
	\$		\$	\$	
Other Funds	1,896.2		1,336.0	1,336.0	-
Positions	09 CC		10 Gov Amd.	Sen. Sub	Sen to Gov
PFT	?		4697	4694	-3
PPT	?		222	222	0
Temp	0		0	0	0

Changed structure from one appropriation in Gov Amd and the House to seven appropriations (matching FY09)

Began by adopting Adjusted Base as a starting point

Accepted the Total Compensation increases of \$14.5 million but switched funding to 50% General Fund and 50% non-GF; also added Intent regarding Executive salary pay increases

Reduced University Receipts by (\$1,750.0) for non-Personal Services Fixed Cost Increases (including Athletics Travel, Academic/Research Travel, Facilities Maintenance and Repair, and Other Fixed Cost Increases in contractual services and commodities)

Added \$1,750.0 University Receipts to fund the Integrated Sciences Building (ISB) New Facility Operating and Maintenance Costs on the Anchorage Campus; also allowed \$500.0 GF for the ISB, bringing the total funding to \$2,250.0 to allow for full opening of the facility for the Fall 2009 semester; also added Intent regarding the opening of the ISB

Accepted increases for New Facility Operating and Maintenance Costs for the Virology Lab in Fairbanks (\$150.0 GF) and for the Bragaw Building Lease (\$350.0 GF) in Anchorage

Added funding for two Energy and Cooperative Extension Service Programs (One-Time Increments) as follows:

10:04:07 AM

(1) UAF Alaska Center for Energy and Power (ACEP) \$500.0 GF, \$400.0 Federal Receipts, \$918.4 University Receipts, totaling \$1,818.4;

(2) UAF Cooperative Extension Service and Energy Outreach \$450.0 GF, \$500.0 Federal Receipts, \$850.0 University Receipts, totaling \$1,800.0

Funding is not included for expansion of other University programs

Retained the same permanent full-time position authorization count as FY09 Conference Committee

Accepted all decrements for excess receipt authority proposed by the University (\$48 million total)

Accepted the Mental Health Trust Authority decrements proposed in the Governor's Amended request (\$328.5 MHTAAR)

Accepted \$2.2 million GF (switched from Capital to Operating Request) for Graduate Medical Education/Family Practice Residency Program

10:04:57 AM

Mr. Grussendorf announced that the total approved budget for the University of \$820.9 million included an increase of \$13 million in general funds plus an increase of \$10 million of non general funds over FY09.

Co-Chair Hoffman inquired about tuition increases. He reminded that the subcommittee made adjustments to the \$48 million of University receipts deemed unrecoverable, resulting in \$16.1 million rescinded by the legislature. He asked about the accuracy of the amounts presented regarding receipt authority.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, answered that the reduction in receipt authority submitted by the University was in response to the Office of Management and Budget (OMB) and the effort to reduce hollow federal authority. In this case, the University requested a reduction in authority by \$16 million because they were not generating the receipts in their budget. The University did increase tuition. The budget passed by the Senate subcommittee spends the same amount of University receipts as the governor's budget. To the extent that the budget request is accurate, there are not hollow receipts in the subcommittee's budget.

Co-Chair Hoffman asked about the \$16 million subtracted from receipt authority for FY09. The receipt authority for FY09 was \$358 million. The budget presented here is \$368 million making the amount of receipt authority greater than that presented by Mr. Grussendorf. There is an additional \$10 million in receipt authority. The university should be able to fund the Integrated Science building as its number one priority with a request for \$2.1 million along with the

\$1.75 million included in the budget. He opined that the University should accomplish their goal with the presented budget.

10:09:10 AM

Mr. Teal commented that he did not know the University's budget well enough to know what the effects will be. The subcommittee opined that the University should be able to fund their number one priority. The subcommittee spends no more receipt authority than requested by the University. The University may move money from one appropriation to another. He opined that money was available for the University to open the Integrated Science Building.

Senator Ellis appreciated the work on the Integrated Science Building for the Anchorage campus. He suggested that he did not understand the reference to the \$1.75 million and the \$2.2 million in Mr. Grussendorf's presentation. He stated that one budget review unit from the University has been divided into seven separate units causing concern that receipt authority for the \$1.75 million to open the Integrated Sciences Building this year will mean compromising existing programs on the Anchorage campus. He asked if the report denied an increase in executive salaries.

Co-Chair Hoffman reminded the committee about the letter of intent for \$450 thousand received from the university.

Senator Ellis stated that there are newly liberated funds. He noted the UAA campus and their need to meet existing student demand and industry's need to educate students interested in health fields. He noted a construction project with a proposal before the SFC. He asked for further detail regarding health training programs.

10:13:42 AM

Mr. Grussendorf stated that the low price of oil necessitated the need to limit expansion for existing programs. The existing program is held harmless. If the market recovers in the near future, the legislative body might consider the expansion of some programs. He commented that the subcommittee supports the program as it exists, but there is not extra money to take the program beyond the current plan. Co-Chair Hoffman asked about the actions of

the other body regarding the funding of the health training programs. Mr. Grussendorf answered that the House funded fifty percent of the request at approximately \$1 million.

Senator Olson stated that the amount proposed by the House was \$930 thousand. He supposed that midlevel medical practitioners are required in rural areas to serve elders dependent on physician's assistants and nurse practitioners.

Co-Chair Stedman MOVED to ADOPT the FY10 Senate Finance Committee Operating Subcommittee Report for the University as presented with corresponding legislative finance reports.

Senator Ellis OBJECTED. He hesitated due to conflicted feelings and requested further discussion regarding the Integrated Sciences Building and the health training programs following public testimony.

Senator Ellis Removed his OBJECTION

There being NO OBJECTION, it was so ordered.

[10:17:27 AM](#)

JESSIE KIEHL, STAFF, SENATE DISTRICT B, presented the Senate Committee Recommendation for the Alaska Court System.

#### ALASKA COURT SYSTEM

Fund Source	FY09 plan	FY10 Gov Amd	Sen Sub	Sen to Gov
General	\$	\$	\$	\$
Funds	84,485.8	89,627.1	86,991.0	-2,636.1
Federal	\$	\$	\$	-
Funds	1,675.6	1,675.6	1,675.6	
	\$	\$	\$	
Other Funds	1,493.8	981.3	981.3	-

Positions	FY09 CC	FY10 Amd.	Gov Sen. Sub	Sen to Gov
PFT	728	754	730	-24
PPT	62	61	62	1
Temp	32	28	28	0

BUDGET ACTION:

Accepted the governor's amended proposal with the following adjustments.

Reduced a request for workstations, office equipment and replacement furniture from \$117.8 to \$50.0.

Reduced a two transaction request to eliminate the vacancy savings requirement for judicial positions from \$639.4 system wide to \$200.0 in the trial courts.

Reduced a request for \$879.1 and 13 PFT for the No Dark Courtrooms initiative to \$250.0 and no new positions. The courts will hire employees into existing vacant positions.

Reduced a request for \$214.0 to add and upgrade positions in the First Judicial District to \$155.0 to add a Juneau magistrate and upgrade a position in Haines. The courts will use existing vacant positions.

Denied \$436.5 for new positions in the Third Judicial District.

Reduced a request for \$268.3 for Public Building Fund lease costs and an expanded Nenana facility to \$223.3, which pays only the Public Building Fund needs.

Denied a request for \$147.4 to increase the pay of pro tem judges.

Reduced a \$75.0 request for staff development and sustained systems training to \$50.0.

Denied a request for \$250.0 for life-cycle replacement of computer systems.

Denied a request for \$125.0 for transcription costs for criminal proceedings.

Denied a request for \$411.9 and five positions in administration.

Created a new allocation for therapeutic courts and transferred funding to it.

10:19:29 AM

Adopted intent language directing therapeutic court funding in the FY 11 cycle be transferred from other agencies to the Court System budget.

Mr. Kiehl noted that the ///. The clerks added in the courtroom to add information. Make sure that clerical staff depletion does not hold up the process. He spoke of increasing the court system hours. With the new and efficient. The Alaska judicial council. The recommendation is lower than the governor's request.

10:21:31 AM

Co-Chair Stedman MOVED to ADOPT the FY10 Senate Finance Committee Operating Subcommittee Report for the Alaska Court System as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

10:22:02 AM

Mr. Kiehl presented the Senate Committee Recommendation for the Department of Education and Early Development (DEED).

DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT

	09	mgt.	Fy 10	Gov		
Fund Source	plan		Amd		Sen Sub	Sen to Gov
General	\$		\$		\$	\$
Funds	49,381.8		55,842.2		54,492.2	-2350.0
Federal	\$		\$		\$	
Funds	214,567.9		214,958.5		214,958.5	-
	\$		\$		\$	
Other Funds	36,744.2		35,190.2		35,190.2	-

Positions	09 CC	10 Gov Amd.	Sen. Sub	Sen to Gov
PFT	329	332	332	-
PPT	14	15	15	-
Temp	0	0	0	-

BUDGET ACTION:

Accepted the Governors amended proposal with the following adjustments:

Denied a request for \$150.0 to audit intensive need students.

Reduced the requested increment to Early Learning Coordination to serve additional children in the Head Start program. The subcommittee's increment is \$600.0. The subcommittee recommends the Finance committee appropriate an additional \$1 million to serve additional Head Start children in communities with chronically underperforming school districts. The Finance committee may wish to use language similar to the following:

10:23:50 AM

The sum of \$1,000,000 is appropriated to the Department of Education & Early Development to provide expanded Head Start services in communities served by chronically underperforming school districts.

10:24:45 AM

Denied a request for \$2 million in the formula program for a Pre-Kindergarten education pilot program. The subcommittee recommends the Finance committee appropriate this amount with contingent language ensuring a substantial portion of the funds go to serve children in chronically underperforming school districts. The Finance committee may wish to use language similar to the following:

- 1) The sum of \$1,000,000 is appropriated to the Department of Education & Early Development for a Pre-Kindergarten education pilot program.
- 2) The sum of \$1,000,000 is appropriated to the Department of Education & Early Development for a Pre-Kindergarten education pilot program serving children in chronically underperforming school districts.

10:25:43 AM

Mr. Kiehl stated that the subcommittee believed that underperforming children require attention at the beginning of the education process.



Co-Chair Hoffman stated that one of the caucus's priorities remained completing the commitment to fund increases in education regarding the BSA intensive needs. The governor's requests are included although they have been modified with an additional \$800 thousand for Pre-K.

Co-Chair Stedman MOVED to ADOPT the FY10 Senate Finance Committee Operating Subcommittee Report for the Department of Education and Early Development as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

[10:28:06 AM](#)

Senator Huggins presented the Senate Committee Recommendation for the Department of Natural Resources.

#### DEPARTMENT OF NATURAL

Senate Subcommittee Budget Comparisons				
Operating Budget	General Fund	Federal	Other	Total
FY10 Adjusted Base	\$66,436,700	\$13,939,900	\$44,544,800	\$124,921,400
FY10 Gov Amend +	\$71,679,200	\$13,804,300	\$48,144,600	\$133,628,100
(HFS) Recommend	\$73,969,700	\$14,054,300	\$50,286,100	\$138,310,100
(SFS) Recommend	\$73,841,900	\$13,804,300	\$50,013,900	*\$137,660,100

(Table No. 1)

Senate Subcommittee Position Summary			
	Permanent Full Time	Permanent Part Time	Temporary
FY 10 Adj Base	778	245	73
Gov Amend +	779	246	76
(HSF) Recommend	780	246	76
(SFS) Recommend	764	245	76

(Table No. 2)

The Budget Subcommittee recommends an operating budget that authorizes \*\$137,660,100\*. While Table 1 shows a number that is \$4,032,000 greater than the Governor's amended request, it includes \$3.2 million for gas line

implementation, which was a capital item that moved into the operating budget, and \$2.5 million for the Petroleum Systems Integrity Office, which was moved from the language section to the numbers section. As such, these two items do not represent an increase to the budget. Therefore, the subcommittee's authorized operating budget reflects an actual reduction of \$1,668,000 from the Governor's amended budget request. The subcommittee's recommended budget also includes 15 fewer permanent full time employees than the Governor requested.

#### Subcommittee Recommendations

The subcommittee held six meetings with the Department and reviewed all aspects of the Department of Natural Resources' budget, including a three-year look back to review the growth in the Department's budget from FY07 to the FY10 Governor's Amended proposal.

The subcommittee took the following actions:

1. Adopted the FY10 Adjusted Base.
2. Reviewed the increments, decrements, and budget amendments proposed by the Governor.
3. Reviewed and discussed the significant issues as outlined in the Legislative Finance Division Fiscal Analyst's Overview of the Governor's request, i.e., oil and gas initiatives; North Latitude Plant Material Center; Geological Development, Mineral Survey and Volcano Observatory; statehood entitlement transfers; fire suppression preparedness; and the Guide Service Initiative.
4. Reviewed the increments, decrements, and budget amendments recommended by the House Finance Subcommittee and passed by the House.
5. Adopted the Governor's proposed amended budget with the following exceptions:

- Funded Oil and Gas contract auditors (\$200.0) and outside legal (\$500.0) positions as one-time items (OTI).
- Reduced the Petroleum System Integrity Office's (PSIO) budget request by \$261,500.
- Denied the budget request for a Grants Administrator position and reduced \$64,000 in CIP funding in the Alaska Coastal and Ocean Management component.
- Funded the Guide Services Initiative, Phase 1 Continued, as a one-time item (OTI).
- Denied the budget request for a seasonal position for the Chilkoot River Bear Viewing Area and \$55,000 in General Funds in the Parks Management component.
- Denied the budget request for authorization to utilize \$510,000 in CIP funds for positions in the Parks and Recreation Access component.
- Approved an unallocated reduction of \$109,100 in General Funds in the Personal Services line item.
- Approved an unallocated reduction of 10 positions from the Department.
- Noted \$3.2 million in the Governor's Gas Pipeline Implementation component reflects a capital project that was moved to the operating budget and, as such, does not increase the budget.
- Noted that the \$2.5 million increase in the Pipeline Coordinator was moved from the language section to the numbers section and, as such, does not increase the budget.
- Recommended that the full Senate review the \$2.7 million lapse extension for AGIA

implementation when it is included in the FY09 Supplemental Bill.

- Recommended changing the new component in the budget entitled "State Coordinator - Gas Pipeline" to "Gas Pipeline Implementation" and to replace all references of the former term with the latter.

Co-Chair Stedman MOVED to ADOPT the FY10 Senate Finance Committee Operating Subcommittee Report for the Department of Natural Resources as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

10:30:16 AM

Senator Huggins presented the Senate Committee Recommendation for the Department of Military and Veterans Affairs.

Senator Huggins highlighted the \$1.668 million reduction in the subcommittee's recommendation reflecting fifteen fewer employees than requested by the governor. The committee held six separate committee meetings while arriving at a conclusion. Ten of the recommended positions are unallocated to the department. The \$2.7 million extension of AGIA will be in the FY09 supplemental bill. He mentioned a recommended change in the new component of the budget entitled state coordinator to be changed to gas pipeline implementation for consistent language.

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

Fund Source	09 Mgt Plan	10 Gov Amd Adj	Sen Sub	Gov Amd Adj to Sen Sub
General Funds	\$11,328,400	\$11,276,900	\$11,276,900	0.0
Federal Funds	\$21,264,600	\$22,235,300	\$22,235,300	0.0
Other Funds	\$12,782,700	\$13,005,400	\$13,005,400	0.0
TOTAL	\$45,375,700	\$46,517,600	\$46,517,600	0.0

Positions	09 Mgt Plan	10 Gov Amd	Sen Sub	Gov Amd
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		Adj		Adj to Sen Sub
PFT	283	283	283	0.0
PPT	2	2	2	0.0
Temp	1	1	1	0.0
TOTAL	286	286	286	0.0

The Budget Subcommittee recommends an operating budget that authorizes \$100,000 more in general funds and 0 fewer employees than the Governor's FY2010 budget request.

#### Subcommittee Recommendations

The subcommittee held one joint House/Senate subcommittee meeting with the Department and took the following actions:

Reviewed the FY09 Management Plan.  
Reviewed the FY10 Adjusted Base.  
Reviewed the increments, decrements, and budget amendments proposed by the Governor.  
Reviewed a three-year look-back at budget growth from FY07 to the Governor's FY10 request.  
Reviewed the House Subcommittee report, which adopted the Governor's request as amended.  
Adopted the Governor's request as amended.

The Subcommittee considered the educational benefits section of the budget, which is an area that has been a concern to past subcommittees. The \$328.5 reduction is a reduction to the DMVA budget; however, the Guard tuition funding reappears in the Governor's University budget request.

The subcommittee also considered and accepted the Department's rationale for removing the funding request for the Veterans Cemetery in the Fairbanks region at this time.

The committee considered the \$50.0 General Fund increment in the Veterans' Services component of the budget for increasing grants for the Veterans' Outreach Program.

[10:32:14 AM](#)

Lastly, the subcommittee reviewed the \$185.2 increase in the Alaska Youth Military Academy's authority to receive I/A funding from DEED, due to the anticipated \$100 increase in the Base Student Allocation.

The subcommittee notes that the Department budget has been relatively flat for the past three years. Changes in mission and organization have, where possible, been absorbed by reorganization and reassignment of personnel where needed.

[10:32:41 AM](#)

Senator Olson asked about the status of disaster relief to handle crisis situations in rural Alaska.

Senator Huggins responded that the National Guard has a statewide search and rescue mission. He stressed that the funding capability for the project remains robust and present in the budget.

Co-Chair Stedman MOVED to ADOPT the FY10 Senate Finance Committee Operating Subcommittee Report for the Department of Military and Veterans Affairs as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

[10:34:55 AM](#)

Senator Thomas presented the Senate Committee Recommendation for the Department of Commerce, Community and Economic Development.

COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

Fund Source

<u>Senate</u>	<u>FY09 Mgt Plan Rev</u>	<u>FY10 Gov Amd+</u>	<u>FY10</u>
<u>Gov to Senate</u>			
General Fund	14,997.9		19,495.2
19,361.9	-133.3		
Federal	55,091.9		64,592.7
64,592.7	0		
Other	102,148.8		103,920.1
71,893.4	-32,026.7		

Personnel

PFT	521	525	525
0			
PPT	2	2	
2	0		
Temp	16	12	12
0			

Budget Action:

The most significant items in the Governor's request are:

- Increments to allow agencies to pay for increased core services charges by other departments and for revisions to the department's internal cost allocation plan.
- Continuation of FY09 funding for the Legal Services Corporation and two grant administrators in the Division of Community and Regional Affairs. These were one-time items in FY09 and are included as increments in the FY 10 budget.

10:36:10 AM

- Continuation of funding for the Alaska Energy Authority's executive director and program managers with General Funds. In FY09, these positions were funded from a capital project entitled "Alaska Energy Authority Projects and Development of a Statewide Energy Plan." The Subcommittee believes the AEA executive director and program management are operating budget activities, and that billing them to capital projects creates legal and administrative difficulties.
- A 57.7 increase in AIDEA funding for the Alaska Regional Development Organizations (ARDORS) to provide for a newly created ARDOR.
- A substantial increase in anticipated federal funding for local communities through Payment in Lieu of Taxes and National Forest Receipts. The

Payment in Lieu of Taxes increment is 3,673.4 and the National Forest Receipts increment is 6,300.0.

- Replacement of 1,878.0 of the Alaska Seafood Marketing Institute's uncollectable federal funds and program receipts with General Funds.

10:37:15 AM

The Subcommittee did not accept the Governor's request to substitute General Funds for 1,971.3 in Business License Receipts that funded the Division of Community and Regional Affairs. The amount of Business License Receipts collected in FY10 will decline substantially due to the reduction in the license fee. The Subcommittee restored DCRA program funding with 1,838 in General Funds and 133.3 in Business License Receipts. The Subcommittee anticipates that the use of 133.3 in Business License Receipts will leave the department with approximately 400.0 of receipts to cover the budget in case license revenue declines due to the economic downturn. Business License revenue is historically volatile, and the Subcommittee believes it would be unwise to provide a cushion of less than 400.0.

10:38:11 AM

The Subcommittee recommends full funding of Power Cost Equalization, but supports elimination of the PCE Capitalization Fund as an intermediate step in the flow of funds from the PCE Endowment and the General Fund, to the department for distribution to utilities. The Subcommittee concurs with the House recommendation to route PCE funds directly to the department.

Finally, the Subcommittee recommends that the Governor's requested wordage be amended to remove old legislative intent that directed the Alaska Aerospace Development Corporation to fully pay its portion of core services and department cost allocations. This issue has been resolved.

10:38:42 AM

Co-Chair Stedman MOVED to ADOPT the FY10 Senate Finance Committee Operating Subcommittee Report for the Department



of Commerce, Community and Economic Development as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

[10:39:17 AM](#)

Senator Thomas presented the Senate Committee Recommendations for the Department of Labor and Workforce Development.

#### DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

##### Fund Source

	FY09 Mgt Plan Rev	FY10 Gov Amd+	FY10
Senate Gov to Senate			
General Fund	29,822.8	29,176.8	
29,791.8 615.0			
Federal	85,866.2	87,638.2	
87,638.2 0			
Other	56,832.4	60,240.5	
60,420.5 180.0			

##### Personnel

PFT	833	825	827
2			
PPT	108	115	115
0			
Temp	37	23	23
0			

#### BUDGET ACTION:

The Subcommittee adopted the FY 10 Adjusted base, and then accepted the increments, decrements, fund source changes and wordage in the Governor's Amended budget, with the adjustments mentioned below.

The most significant items in the Governor's request are continuations of one-time items from the FY09 budget as increments to the base, including funding for the Alaska Construction Academy Training and SAVEC (Southwest Alaska Vocational and Education Center.)

[10:40:15 AM](#)

The Governor requested continuation of funding for three gas line-related, one-time items in the language section (section 16) of her bill. Those items are: Business Services gas line job training oversight and instruction, the Workforce Investment Board education skills coordinator, and the Labor Market Information gas line training program guide and regional workforce data distribution. The Subcommittee moved partial funding for both the Business Services increment and the Workforce Investment Board increment into the numbers section of the department budget, with the recommendation that all three items be removed from the language section, and that the balance of the Governor's request for these items be funded through the reappropriation of unexpended FY09 AGIA funding in the Governor's supplemental request.

10:41:04 AM

This above action deletes \$860.0 GF from the bill's language section, while adding \$550.0 GF to the numbers section of the department budget, for a total GF reduction to the Governor's budget of \$310.0.

The Subcommittee made an additional \$25.0 decrement to Data Processing within the Commissioner and Administrative Services appropriation, to remove a one time item from a FY09 fiscal note.

The Subcommittee also added two wage and hour investigators to the Wage and Hour Administration allocation, to be funded with \$90.0 from the Worker Safety Fund and \$90.0 from the General Fund. This increment will allow the department to significantly increase visits to job sites to enforce minimum wage, child labor and resident hire laws, as well as ensure that employers have the required workers' compensation coverage and that they are correctly categorizing their workers' for workers compensation purposes each year.

Finally, the Subcommittee recommends that the Senate Finance Committee reappropriate or extend the lapse date for the unexpended balance of the FY09 appropriation for Alaska Construction Academy Training made in section 1, chapter 27 of SLA 2008. This roll-

forward would provide the necessary funding to expand Construction Academy training in rural Alaska.

10:41:57 AM

Co-Chair Stedman MOVED to ADOPT the FY10 Senate Finance Committee Operating Subcommittee Report for the Department of Labor and Workforce Development as presented with corresponding legislative finance reports. There being NO OBJECTION, it was so ordered.

CSHB 81 (FIN) was HEARD and HELD in Committee for further consideration.

10:42:46 AM

AT EASE

10:43:58 AM

RECONVENED

Co-Chair Hoffman provided members with a proposed committee substitute, work draft work draft #26-GH1002\W for HB 81 and a proposed committee substitute, work draft #26-GH1004\S for HB 83 (copies on file).

Mr. Teal explained the HB 83 language is similar to the House version with the exception of one capital project placed into language. Typically the House proposes one project while the Senate removes one project and proposes all other mental health projects allowing all to be subject Conference Committee recommendations. The normal capital budget process undergoes review with Conference Committees responding to the capital budget recommendations. Section 8, page 18 shows a capital project for an information technology project.

Mr. Teal informed on HB 81 language changes in Section 11, Page 61. He explained that the education funding changes replace the House appropriation of \$2 million with \$1 million allocated for Pre-K and \$1 million targeted to chronically underperforming school districts. Similarly there is \$1 million in Section C targeted toward chronically underperforming school districts and head start. He mentioned Section 21 on Page 67 concerning fund transfers with the actual change on Page 68 showing \$115.9 million of general funds to the debt retirement fund. The change reflects an error in compiling the House bill.

10:47:20 AM

Mr. Teal discussed Section 25, Page 73 and concerns regarding shared taxes, specifically commercial passenger vessel tax in Section C, Page 74. The language was an oversight. The final change is on Section 27 in the Constitutional Budget Reserve (CBR).

10:49:31 AM

Mr. Teal reviewed the reverse sweep on Section 27 A, Page 77, dependent on unpaid liability to the CBR, where all sub-funds of the general fund along with the general fund itself are swept into the CBR. The money is then replaced as stated in Section 27 A, Page 77. The section normally appears each year.

Co-Chair Hoffman asked for the purpose of including the language in the budget for forward funding of education. The House did not pass the CBR language, but the other operating departments are adequately funded in the FY10 budget. He recommended changes be addressed when the bill is brought for concurrence with the House.

Co-Chair Stedman MOVED to ADOPT a proposed committee substitute, work draft #26-GH1002\W for HB 81, Bailer, 3/24/09. There being NO OBJECTION, it was so ordered.

Co-Chair Stedman MOVED to ADOPT a proposed committee substitute, work draft #26-GH1004\S for HB 83 There being NO OBJECTION, it was so ordered.

CSHB 83 (FIN) was HEARD and HELD in Committee for further consideration.

10:52:56 AM

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ADJOURNMENT

The meeting was adjourned at 10:53 AM.